

Freimans

OF OTTAWA

Annual Report

1965

A. J. FREIMAN LIMITED

OTTAWA, CANADA

Board of Directors

LAWRENCE FREIMAN
MRS. B. M. ALEXANDOR
MRS. B. LUXENBERG
G. E. BEAMENT, Q.C.
CHARLES GAVSIE, Q.C.
WARD C. PITFIELD
SYDNEY HERMANT
H. PERLMANN
G. WOOSTER

Officers

LAWRENCE FREIMAN
President and General Manager
H. PERLMANN
Vice-President
B. LUXENBERG, Q.C.
Secretary
B. M. ALEXANDOR, Q.C.
Treasurer
G. WOOSTER
Assistant Secretary

Bankers: CANADIAN IMPERIAL BANK OF COMMERCE

Auditors: PRICE WATERHOUSE & CO.

Transfer Agent and Registrar: THE ROYAL TRUST COMPANY

Stores

A. J. FREIMAN LIMITED

- Rideau Street
- Westgate Shopping Centre

FREIMART STORES LTD.

- Baseline Road and Woodroffe Ave.
- Blair Road and Queensway

Foreign Buying Offices

U.S.A.

11 West 42nd Street,
New York 36, N.Y.

ENGLAND

48 Albemarle Street,
Piccadilly, London, W 1

FRANCE

20 rue de la Paix
Paris 2

ITALY

10 Lungarno Acciaiuoli
Florence

REPORT OF THE PRESIDENT

TO THE SHAREHOLDERS OF
A. J. FREIMAN LIMITED:

I take pleasure in presenting, on behalf of the Board of Directors, the annual accounts of the Company and its subsidiaries for the thirteen months ended January 31, 1966.

For merchandising and reportorial reasons it was considered in the Company's interest to change its fiscal year end from December 31 to January 31.

Sales reached another record in the Company's history. Sales for the period under review were \$23,989,041 as compared to \$23,262,644 for the previous similar period.

Net profit from operations, after taxes and after absorbing the loss incurred in the extra January (the thirteenth month included in this year's report), was \$478,032 as compared with net profit from operations of \$475,063 in the previous year. January is, of course, a "loss" month in department store business generally. The sale of the Queensway property for the purpose of the development of a new shopping centre in which the Company will participate, has accounted for a non-recurring income of \$279,598, resulting in net income for the year of \$757,630.

Shareholders' equity has increased from \$5,547,055 in 1964 to \$6,113,435, representing an increase in book value per share from \$7.25 to \$7.99.

Working capital increased by \$1,065,354 with current assets totalling \$8,301,518, as against current liabilities of \$3,958,341.

The renovation of the Downtown Store is continuing according to plan. During the past year the new street floor was completed. Further in this report certain photographs are reproduced which typify the decor and appointments. We believe that Freiman's Downtown Store on completion will be one in which the National Capital area may well take pride.

A. J. Freiman Limited will participate in the new St. Laurent development which will occupy approximately forty-four acres of the land sold by the Company on the corner of the Queensway at St. Laurent Boulevard. This shopping centre is scheduled to open in mid-summer of 1967. Freiman's will occupy a spacious department store of contemporary design, the concept of which is reproduced further in this report.

The Company's progress during 1965 reflects the acceptance accorded its merchandise by an ever-expanding number of customers. For this the Company is most grateful, and also for the important efforts made by its personnel at all levels of the organization, and for the co-operation of its suppliers.

On behalf of the Board of Directors.

LAWRENCE FREIMAN
President

April 14, 1966.

*The Executive Shop,
a section of
Freiman's Store for Men
New Street Floor, Downtown*



*Photographic Supplies,
Freiman's New Street Floor, Downtown*

*A section of the
New Main Floor
Sportswear, Downtown*



*A section of Freiman's Store for Men
New Street Floor, Downtown*

A. J. FREIMAN LIMITED *and Subsidiary Companies*

ASSETS

| | January 31, 1966 | December 31, 1964 |
|---|---------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash | \$ 222,020 | \$ 209,420 |
| Accounts receivable, less allowance of \$235,000 for doubtful accounts (1964 — \$235,000) | 4,934,735 | 5,167,718 |
| Merchandise valued at the lower of approximate cost or market | 3,047,977 | 2,759,851 |
| Prepaid expenses | 96,786 | 81,662 |
| | <u>8,301,518</u> | <u>8,218,651</u> |
| CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES | 169,437 | 156,233 |
| DEFERRED CHARGES TO FUTURE OPERATIONS: | | |
| Alterations, improvements and development expenses, less amortization | 279,179 | 342,338 |
| FIXED ASSETS: (Note 2) | | |
| Land | 1,047,500 | 1,047,500 |
| Buildings and equipment, less accumulated depreciation of \$4,144,853 (1964 — \$3,903,991) | 3,186,511 | 2,958,339 |
| Leasehold improvements, less amortization | 1,082,085 | 1,117,291 |
| | <u>5,316,096</u> | <u>5,123,130</u> |
| OTHER ASSETS: | | |
| Queensway properties, at cost including carrying charges (Note 3) | — | 896,485 |
| Investment in bonds and shares, at cost (market value \$34,802) | 35,046 | 35,046 |
| | <u>35,046</u> | <u>931,531</u> |
| | <u>\$14,101,276</u> | <u>\$14,771,883</u> |

Approved on behalf of the Board

CONSOLIDATED BALANCE SHEET — *January 31, 1966*

(with comparable balances at December 31, 1964)

LIABILITIES

| | January 31, 1966 | December 31, 1964 |
|---|---------------------|----------------------|
| CURRENT LIABILITIES: | | |
| Bank loan and overdraft | \$ 2,754,302 | \$ 3,404,311 |
| Accounts payable and accrued liabilities | 919,672 | 1,037,757 |
| Long term debt due within one year | 153,000 | 239,500 |
| Taxes on income | 131,367 | 259,260 |
| | <u>3,958,341</u> | <u>4,940,828</u> |
| LONG TERM DEBT (Note 4) | 3,695,500 | 3,949,000 |
| DEFERRED INCOME TAXES (Note 5) | 334,000 | 335,000 |
| PREFERRED SHARES (Note 6) | — | 38,250 |
| COMMON STOCK AND SURPLUS: | | |
| Common stock — no par value | | |
| Authorized — 1,170,000 shares | | |
| Issued — 765,000 shares | 475,700 | 475,700 |
| Earned surplus (including \$402,749 tax-paid undistributed income), per statement attached | 5,637,735 | 5,033,105 |
| | <u>6,113,435</u> | <u>5,508,805</u> |
| | <u>\$14,101,276</u> | <u>\$14,771,883</u> |

LAWRENCE FREIMAN, *Director* G. WOOSTER, *Director*

A. J. FREIMAN LIMITED *and Subsidiary Companies*

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 1966

(with comparable figures for the twelve months ended December 31, 1964)

| | Thirteen months ended January 31, 1966 | Twelve months ended December 31, 1964 |
|---|---|--|
| Sales (Note 8) | \$23,989,041 | \$22,077,419 |
| Profit from operations after deducting selling, administrative and general expenses but before taking into account the undernoted items | 2,071,224 | 2,001,018 |
| Directors' remuneration and salaries of officers who are also directors | 106,632 | 101,236 |
| Provision for depreciation (Note 5) | 379,701 | 334,177 |
| Amortization of leasehold improvements (Note 5) | 38,562 | 35,326 |
| Amortization of alterations, improvements and development expenses | 116,452 | 100,200 |
| Bond and debenture interest | 256,311 | 251,439 |
| Bank interest | 176,534 | 156,577 |
| | 1,074,192 | 978,955 |
| | 997,032 | 1,022,063 |
| Provision for current income taxes | 520,000 | 538,000 |
| Provision for deferred income taxes (Note 5) | (1,000) | 9,000 |
| | 519,000 | 547,000 |
| Net profit from operations | 478,032 | 475,063 |
| Non-recurring income — | | |
| Gain on sale of Queensway property (Note 3) | 279,598 | — |
| Net profit for the period including non-recurring income | \$ 757,630 | \$ 475,063 |

A. J. FREIMAN LIMITED *and Subsidiary Companies*

CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 1966

(with comparable figures for the twelve months ended December 31, 1964)

| | Thirteen months ended January 31, 1966 | Twelve months ended December 31, 1964 |
|--|---|--|
| Balance, at beginning of period | \$ 5,033,105 | \$ 3,893,648 |
| Add: | | |
| Net profit for the period including non-recurring income | 757,630 | 475,063 |
| Capital surplus | — | 900,000 |
| | <u>5,790,735</u> | <u>5,268,711</u> |
| Deduct: | | |
| Dividends paid — | | |
| 4½ % cumulative preferred shares | — | 2,469 |
| Common shares — | | |
| Stock in Class A shares | 153,000 | 153,000 |
| Net appropriation for redemption of 4½ % cumulative sinking fund preferred shares | — | 80,137 |
| | <u>153,000</u> | <u>235,606</u> |
| Balance, end of period | <u>\$ 5,637,735</u> | <u>\$ 5,033,105</u> |

A. J. FREIMAN LIMITED *and Subsidiary Companies*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1966

1. By By-law No. 32 the fiscal year end of the company was changed from December 31 to January 31.

2. Land, buildings and equipment may be summarized as follows:

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|--------------------|
| Land, per 1928 appraisal | . | . | . | . | . | . | . | . | . | . | . | \$ 553,000 |
| Subsequent additions, at cost | . | . | . | . | . | . | . | . | . | . | . | 494,500 |
| | | | | | | | | | | | | <u>\$1,047,500</u> |
| Buildings and equipment, per 1928 appraisal | . | . | . | . | . | . | . | . | . | . | . | \$ 661,350 |
| Subsequent net additions, at cost | . | . | . | . | . | . | . | . | . | . | . | 6,670,014 |
| | | | | | | | | | | | | <u>\$7,331,364</u> |

Land, as above, was appraised in 1965 at a value of \$1,983,000.

3. A. J. Freiman Limited has agreed to lease space on a long term basis in a shopping centre to be constructed on the Queensway property which was sold by the company. It is estimated that capital expenditures required to equip the leased premises will amount to approximately \$1,000,000. As a shareholder in the company owning the shopping centre, A. J. Freiman Limited is contingently liable under certain conditions to make loans to that company to a maximum amount of \$50,000. In addition, A. J. Freiman Limited has agreed to give that company's bankers a guarantee and postponement of claim in a total amount of \$250,000.

4. Long Term Debt appearing in the accompanying balance sheet is as follows:

First Mortgage Bonds —

| | | | |
|--|---|----------------|--------------------|
| 4¾ % sinking fund bonds, Series A, maturing May 1, 1975 | . | \$1,039,500 | |
| 6% sinking fund bonds, Series B, maturing June 15, 1979 | . | <u>614,000</u> | \$1,653,500 |
| 6½ % Sinking Fund Debentures, Series A, maturing May 15, 1981 | . | | 2,195,000 |
| | | | <u>3,848,500</u> |
| Deduct: Payments due within one year included in current liabilities | . | | 153,000 |
| | | | <u>\$3,695,500</u> |

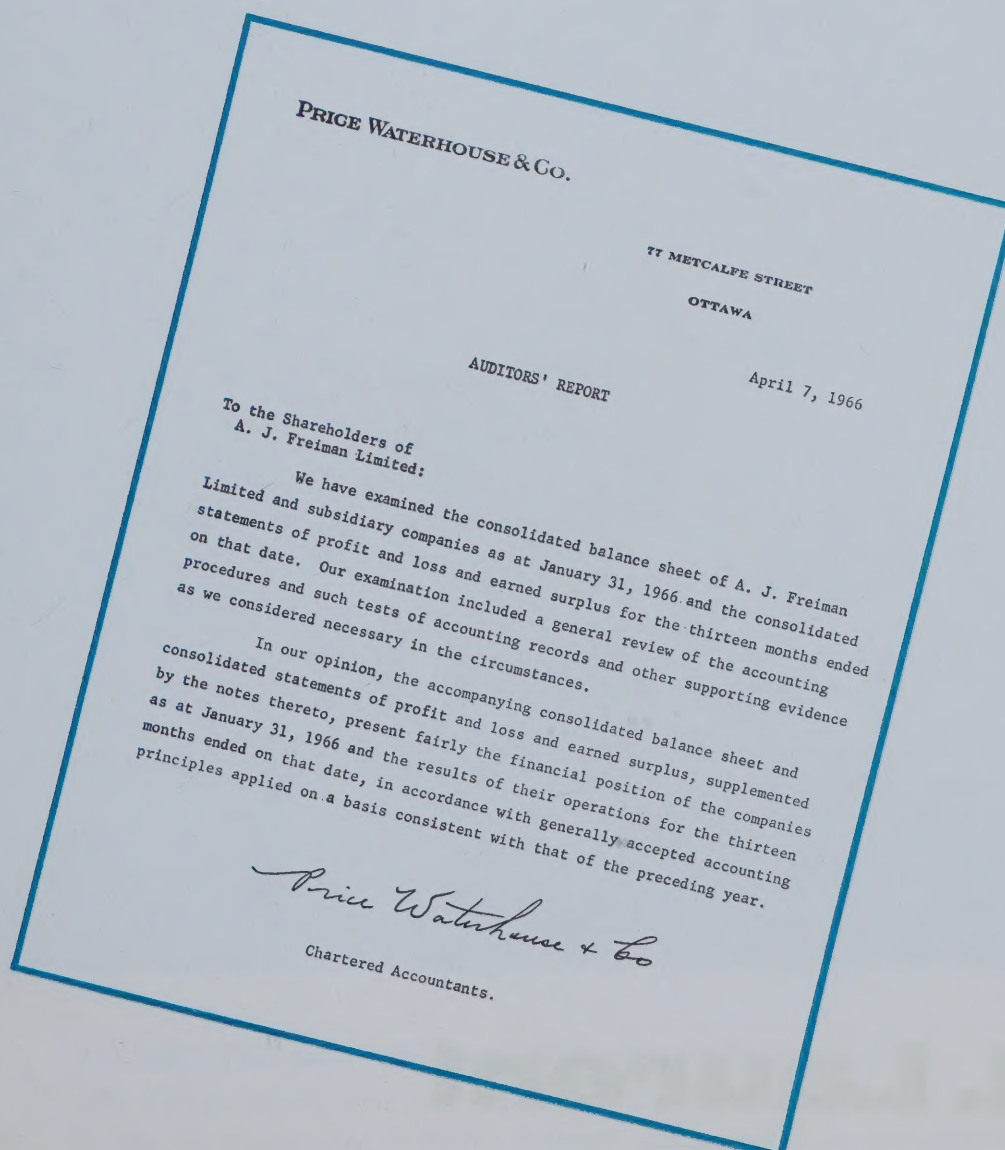
5. Depreciation and amortization recorded in the accounts exceeds maximum capital cost allowances claimable for income tax purposes. The resultant increase in current income taxes payable has been deducted from Deferred Income Taxes which had been set up for this purpose in prior years.

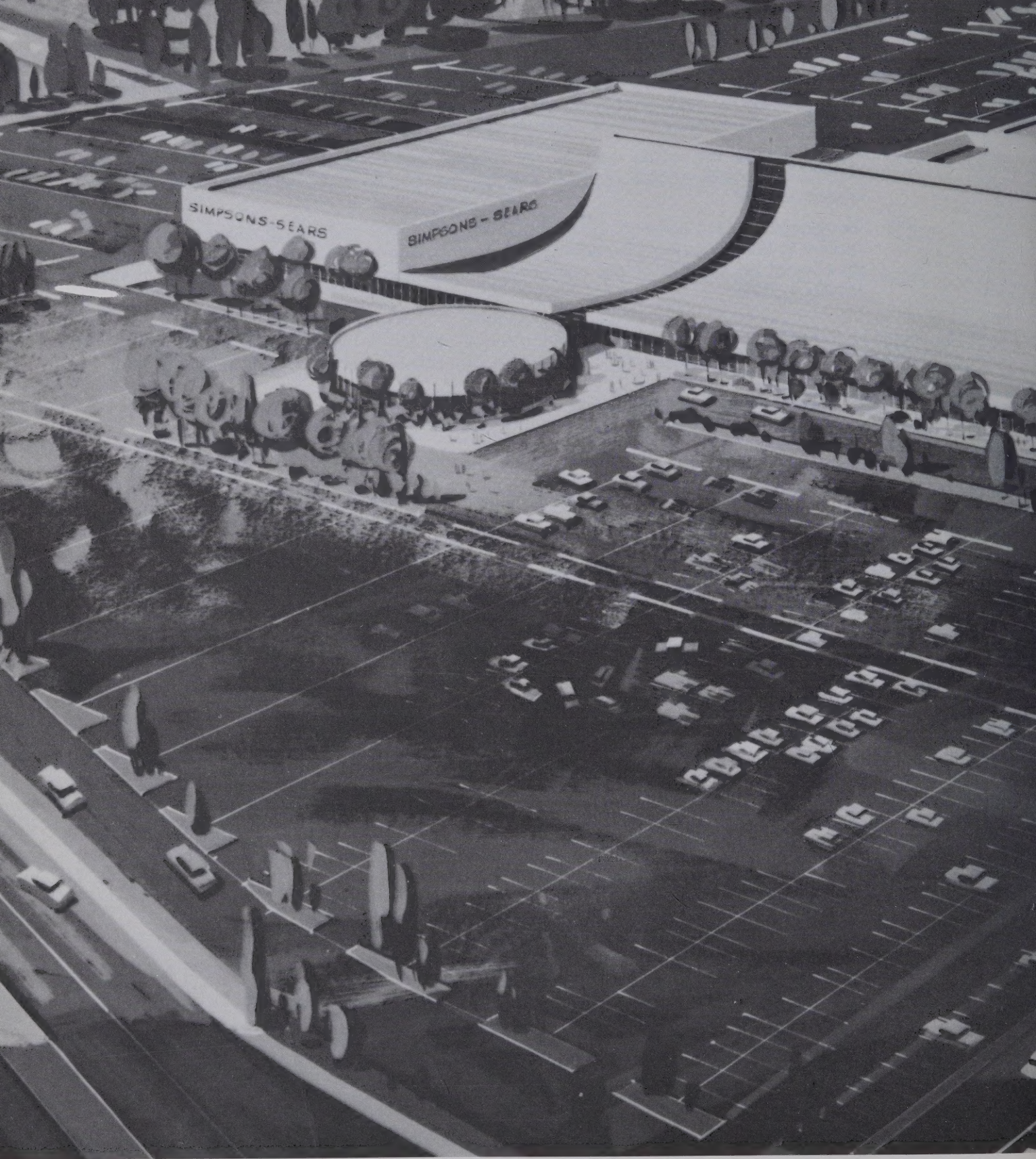
6. Preferred Shares appearing in the accompanying balance sheet are as follows:

1% non-cumulative Class A Preferred shares of \$1 each —

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|-----------------------|------------------|
| Authorized — (of which 497,250 shares were issued and redeemed prior to January 31, 1966 leaving a balance of 412,750 shares unissued at that date) | . | . | . | . | . | . | . | . | . | 910,000 shares | <u>\$910,000</u> |
| Issued — | | | | | | | | | | | |
| Balance, December 31, 1964 | . | . | . | . | . | . | . | . | . | 38,250 shares | \$ 38,250 |
| Stock dividends during period | . | . | . | . | . | . | . | . | . | <u>153,000 shares</u> | <u>153,000</u> |
| | | | | | | | | | | 191,250 shares | 191,250 |
| Redeemed and cancelled | . | . | . | . | . | . | . | . | . | <u>191,250 shares</u> | <u>191,250</u> |
| Balance, January 31, 1966 | . | . | . | . | . | . | . | . | . | <u>—</u> | <u>—</u> |

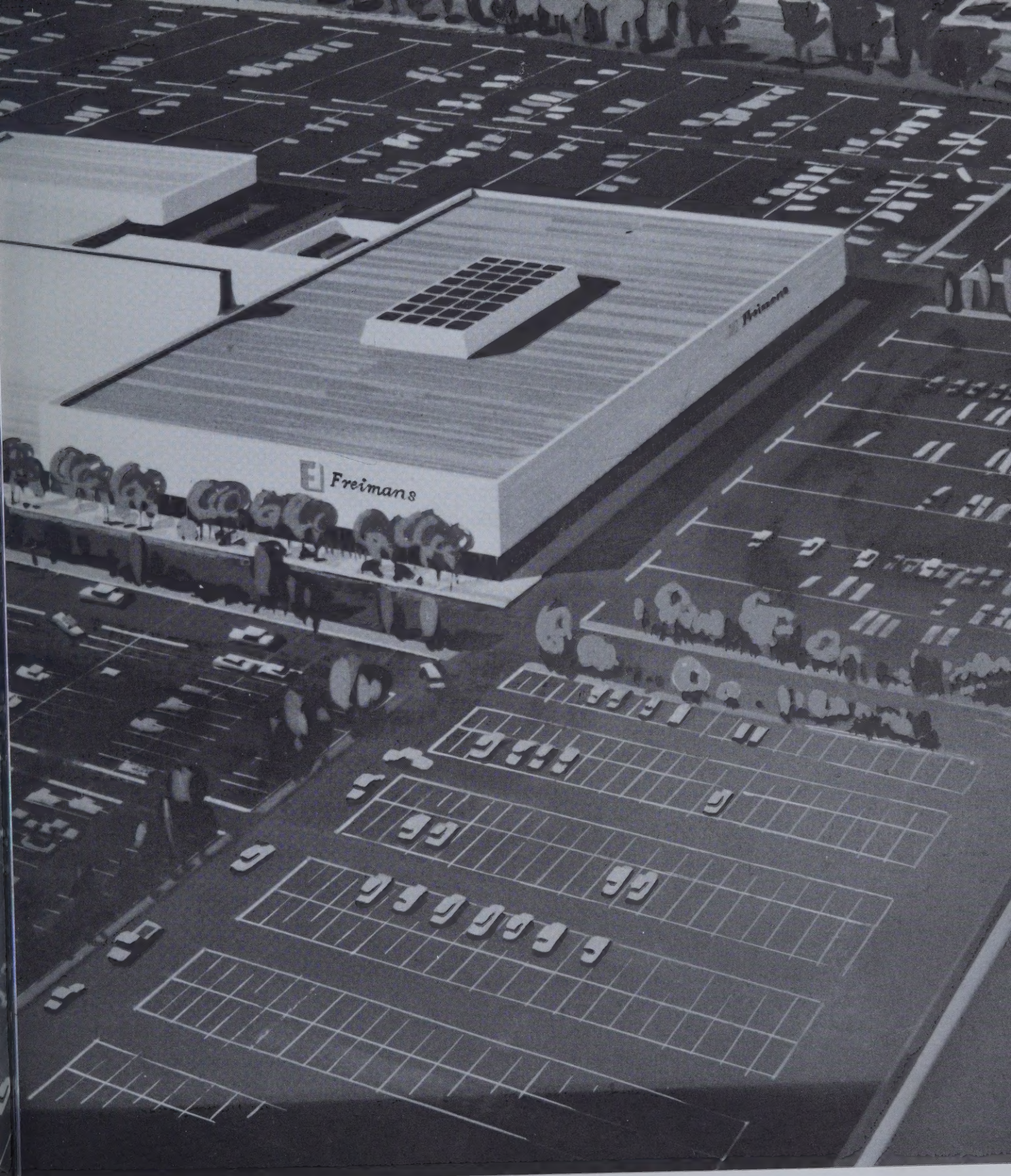
7. Trust Indentures, pursuant to which the bonds and debentures of the company have been issued, provide that the company will not declare or pay any dividends (other than stock dividends) on, or redeem, any common shares or shares issued as stock dividends unless immediately after such action,
- (a) the consolidated net current assets of the company and its subsidiaries exceed the lesser of \$2,000,000 or 50% of the aggregate principal funded obligations of the company and its subsidiaries, and
 - (b) the aggregate amount declared as dividends, distributed and/or paid on redemption, subsequent to January 1, 1961, in respect of common shares or stock issued as dividends is not greater than the consolidated net earnings of the company and its subsidiaries during the period commencing January 1, 1960.
8. Sales of \$23,989,041 shown in the statement of profit and loss include leased department sales of \$4,275,500 of which \$2,802,584 were made in stores of a subsidiary company, Freimart Stores Ltd.
9. Minimum annual rentals under long term leases extending from 1975 to 1984 amount to \$439,770.





St. Laurent

OTTAWA



The multi-million dollar development, which will occupy about 45 acres of land on the northwest corner of the Queensway at St. Laurent Blvd., is scheduled to open in mid-summer of 1967. Freiman's will participate in this project in a spacious department store of contemporary design, the concept of which is reproduced above.

